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Competitiveness of Tier three Commercial Banks in Kenya: The Role of Strategic Leadership Practices

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ABSTRACT

The banking industry in Kenya has been dynamic, with only eight (8) out of the forty (40) banks controlling over 74% of the market share. The tier three banks, despite being the majority (22), only have 8.8% market share. The banks have also been characterized by turbulent operating market, declining revenues and profits, and shrinking capitalization. This has seen some of these banks being held at receivership and others put under statutory management. This prompted the study to assess whether strategic leadership has been a concern in these banks, and whether this has a hand in competitiveness of third tier banks in Kenya. The study was anchored on Porter's theory of competitive advantage and the contingency theory of leadership. A cross-sectional research approach informed collection of data though a questionnaire from 112 participants drawn from 22 third-tier banks in Kenya. SPSS was used in analysis. The findings revealed that strategic leadership practices through financial resource mobilization, human resource development, strategic innovation, strategic direction and customer focus had a significant influence on competitiveness of tier three commercial banks in Kenya. The study concluded that strategic leadership practices through financial resource mobilization, human resource development, strategic innovation, strategic direction and customer focus were instrumental in enhancing the competitiveness of tier three commercial banks. The findings from the study could be significant to strategic management practitioners, managers of tier three commercial banks, the government and policy-makers and future researchers.

INTRODUCTION

In the modern business world, organizational leaders play an instrumental role in steering the success of their organizations. As defined by Castellanos and George (2020), a leader is an individual of is in a position to show direction and attract followers from the subordinates with the aim of directing them to a common goal. Leadership is therefore the capability to draw followership by not only giving directions and instructions, but also showing by example how the instructions can be perfected for better results. Strategic leadership, therefore, is the ability of a leader to be strategic. This means that one does not only lead by providing guidance and overseeing the organizational processes and operations but also comes up with effective, integrated and efficient solutions to modern and unprecedented problems facing organizations (Castellanos & George, 2020). Strategic leaders also seek to strengthen the capability of their organizations to withstand any turbulence by expanding the revenue inflows of the organization, closing loopholes for unnecessary revenue outflows and creating a robust team to always creatively solve the emerging problems.

Commercial banks are categorized into three categories known as tiers, where tier one comprises of the large banks controlling over 75% of the market share, tier two comprises of medium-sized banks with about 17% market share, and tier three comprises of small sized banks controlling about 8.8% of the market share. While the large sized banks and to some extent the medium sized-banks easily compete and penetrate in the market including investing in foreign markets, the tier three commercial banks always record declines and usually face regulatory actions due to their ability to comply with major regulations majorly those aligned to assets base and operating capital. Competitiveness of these banks would mean a more secure and customer-centred banking industry in the country (Kimathi & Mungai, 2018). This is because they are able to minimize the monopoly of a few banks and help make the industry more neutral. This is in addition to jobs that the banks will create by being competitive, as well as contribution to the country's tax revenue.

On a global stage, strategic leadership has been upheld as an essential determinant of business success through its ability to align the organizational goals to its strategic focus (Gumilar & Puteh, 2023). Strategic leadership practices help in streamlining the role of strategic managers in mobilizing the organizational stakeholders and resources towards the strategic goals of the company. Kimathi and Mungai (2018) conceptualized strategic leadership using customer focus and strategic innovation. The authors contemplated that strategic leadership through focus on customers and continuous innovation is fundamental in modern organizations where organizations are able to meet efficiency and effectiveness demands by the customers while strengthening their satisfaction. According to Enwereji and Potgieter (2022), African organizations are realizing the need for leaders who can mobilize the required human and financial resources and lead a more innovative organizational culture for enhanced competitiveness.

Strategic direction setting has been established as one of the practices of strategic leadership. Oguta, Kimwolo, and Cheruiyot (2022) conceptualized strategic leadership through strategic direction where they expounded strategic direction as potential of leaders in an organization to align the workforce to a given focus by setting specific and achievable goal which they strive to achieve as a team. Another aspect that has been used to conceptualize strategic leadership is resource mobilization. According to Shimengah (2018), it is the duty of the organizational leader to ensure that the organization has adequate resources to finance both its internal and external operations. Mobilizing these resources distinguishes leader's potential to streamline their entities to achieve their goals and become competitive. According to Akdere and Egan (2020), strategic leaders must have appropriate resource mobilization skills which give them an upper hand to run more robust and competitive organizations. Mobilizing resources particularly the financial resources implies that organizations such as commercial banks are capable of undertaking capital investments to strengthen their revenue streams and enhance competitiveness (Masungo, Marangu, Obunga & Lilungu, 2015).

The smaller banks intend to achieve competiveness by being the most preferred institutions among the target customers, in which Kermins and Berson (2021) describe as the ability to record increasing revenue inflows orchestrated by increased market share, high retention of customers and growth of the overall investments by the company. Akdere and Egan (2020) describe competitiveness as capability of an entity to have more products that are competitive than those of their competitors in a similar market and market conditions. Masungo et al. (2015) alluded that achieving competitiveness in crucial industries like the banking sector would portray how well the organizations are to sustain their operations through embracing appropriate strategies.

Statement of the Problem

Tier three commercial banks similar to every other organization continue to face the market dynamics despite their larger counterparts expanding every year across the region. Despite these banks comprising of over 75% of the number of banks in the country, they control only 8% of the market share. Most of these banks have recently sized-down their staff, and branch networks as cost-cutting measures (CBK, 2022). According to Kenya Bankers Association (KBA), 70% of the tier three banks were struggling to operate under the required minimum capital of Kshs. 1 billion, and the profitability of these banks was unsustainable owing to the dynamics and unpredictability of the operating environment (KBA, 2021). CBK (2021) reported that in 2019, while large banks recorded an average of 80% increase in their net profits, tier three commercial banks were recording less than 10% increase, with banks like Sidian bank recording a net loss of over Kshs. 600 million. While the banks continue to struggle to sustain their operations in the market, their revenues decline year in year out, while the large ones continue to record increased profits and expansions. This raises the question on what different are the tier one and most of tier two commercial banks are doing, which is missing among the tier three commercial banks.

Empirical evidence has shown the strategic leadership is a fundamental element that organizations require to remain competitive. Walden et al. (2020) contemplated that strategic leadership significantly impacted entity's performance. They conceptualized strategic leadership as human resource development, strategic customer focus and strategy implementation. Wong (2021) revealed strategic leadership (conceptualized as strategic direction, strategic innovation and resource mobilization) to have significant effect on firm competitiveness. Ng and Sears (2020) indicated that people involvement, leadership commitment and customer focus were essential strategic leadership practices that significantly influenced firm performance. Kabetu and Iravo (2018) established that strategic leadership through customer focus, strategic envisioning and strategy execution significantly influenced firm performance. Waribu (2019) revealed that strategic leadership contributed to the effectiveness and ability of county governments to deliver public services. Despite these studies showing compelling evidence on how strategic leadership relates to entity's competitiveness, they have focused on different contexts and the findings may not be generalized in a banking industry. This has motivated the study thus it sought to establish the influence of strategic leadership practices on competitiveness of third tier banks in Kenya.

Objectives of the Study

To examine influence of financial resource mobilization on competitiveness of third tier banks in Kenya

To determine how human resource development influences competitiveness of third tier banks in Kenya

To assess strategic innovation's influence on competitiveness of Kenya's third tier banks.

To evaluate how strategic direction influences competitiveness of Kenya’s third tier banks.

To establish customer focus’s influence on competitiveness of Kenya’s third tier banks.

LITERATURE REVIEW

Theoretical Review

The study was anchored on Porter’s theory of competitive advantage and the contingency theory of leadership. The Porter’s theory of competitive advantage by Porter (1979) elaborates on the forces that make a firm competitive and how these forces are combined to achieve the competitiveness. According to Porter, companies become competitive due to their ability to have power over competitors, integrate powerful suppliers and control the power of buyers. A company that has the capability to meet its customer needs, block new entrants, and maintain a relationship with key suppliers has the probability of remaining competitive (Cheng & Fisk, 2022). In what Porter refers to as five-forces, the rivalry among competitors which is the main power, is controlled by power portrayed by suppliers, and that of buyers, threats of additional entrants and substitution (Porter, 2008).

The five forces determine how best an entity remains competitive by attracting more customers, retaining the existing customers and sustaining the consumer loyalty (Nyanchama & Murigi, 2019). The theory has been used to expound on how organizations can maximize their power to gain and maintain competitiveness (Kermins & Berson, 2021). Through focus on key strengths that satisfy the customers, and seeking ways to sustain threats of new entrants and substitution, a company has the potential to gain and remain competitive. Tier three commercial banks have always faced the threat of competition from bigger established banks, thus making the banks remain vulnerable and unable to grow effectively. As Porter’s theory indicate, to achieve competitiveness the banks have to master the art of maintaining customers by offering diverse products due to substitution threat, be cost-efficient for bargaining power of the customers, and seek ways to engage suppliers for their bargaining power (Enwereji & Potgieter (2022). The theory is therefore applicable in this study since it helps elaborate how tier three commercial banks can be competitive by increasing their market share, sales revenue and customer satisfaction.

The contingency theory of leadership by Woodward (1965) on the other hand inform the need for leadership in modern businesses. The theory commonly known as the organizational management theory has been recognized as a major theoretical underpinning describing why managers/leaders should act on a given manner in order to achieve the best for the organization. According to Woodward (1965), a contingent leader is an organizational manager who focuses on what is important for the organization at the given time and for a specific reason. The theory describes organizations as semi-autonomous establishments with some bit of independence but still to some extent depending on the decisions made by those who run them to be successful (Shimengah, 2018). To this effect, Oguta et al. (2022) allude that the managers ought to act on the basis of the environment in which the organizations operate in, and make leadership decisions not based on their prior experience, but based on the circumstances/contingent occurrences.

A strategic leader will therefore derive the problem-solving approach based on the situation and the environment the organization is operating in. As per this paper, strategic leadership is about doing things differently by leading a robust team that is focused towards achieving the strategic goals of the organization. Therefore, just like the contingent leader as described by Woodward (1965) and Cheng and Fisk (2022), a strategic leader will find unique and intensive ways to steer the organization into success. These ways as described by the contingent theory of leadership include mobilizing key resources (financial and human resources), doing things differently (innovation), aligning the systems and structure to the organizational strategic goals (strategic direction) and leading a quality-based process that satisfies the stakeholder (customer focus) (Enwereji & Potgieter, 2020). The theory therefore supports the key variables of the study and it was utilized in expounding on strategic leadership and its role in competitiveness of Kenya's third tier banks.

Empirical Review

Kanapathipillai, Narayanan and Kumaran (2021) researched on role played by mobilization of resources on competitiveness of women enterprises in Malaysia. The study utilized cross-sectional survey and established that the ability of leaders to mobilize financial resources significantly drove organizational competitiveness. According to Rubarema (2021), financial resources help organizations to implement their strategies by financing other inputs thus a strategic leader who has the capability to mobilize financial resources stands a better chance to steer organizational competitiveness.

Jimoh (2021) analysed how mobilization of resources (finances) determined sustainability of finance institutions. Their findings revealed that financial resources are the main enabler of firm competitiveness, thus mobilizing such resources helps organizations to gain more sustainability. The study indicated that through focus on finances, organizations becomes more self-reliant, thus being in a better position to be competitive. As postulated by Lutempo (2022), through financial resources, it becomes more viable for companies to outdo their competitors as they have the capacity to divest and take advantage of emerging opportunities.

A study by Asawo *et al.* (2021) evaluated how funds contribute to performance among small enterprises in Kenya. The results showed that firm performance is highly dependent on organizational resources, and particularly finances. These resources strengthen the firm's existence in the market by ensuring that more viable ventures are maximized, thus making the firm more competitive. Kareem and Hussein (2019) assessed how development of human resources drove productivity of entity's workforce and concentrated on service industry in India revealed that human resources are essential in determining the success of a strategy. The authors noted that human resource development revolves around recruiting strategically, rewarding and motivation as well as training as development. This ensures that the employees have the knowhow and technical competency to support and implement the organizational strategy (Rubarema, 2021).

Akdere and Egan (2020) analysed the relationship between strategic leaders' human resource development capability on sustainability of agribusiness corporations in South Africa. The results showed that developing human resource was not only a duty for the Human Resource Management (HRM) department but required the efforts and commitments of the organizational top leadership. According to Gumilar and Puteh (2023), while HRM may seek to train, develop, reward and retain talents that are best performing, it would be appropriate for the entire management team to ensure that the available skills are in line with strategic focus of the firm.

Naitore and Wanyoike (2019) assessed the effect of human resource development on performance of selected public universities in Kenya. The results revealed that human resource development was a function of managers that ensured the alignment of the available skills with the strategic focus of the firms. According to Nyong'a and Maina (2019), through focus on human resource development, strategic leaders gain more understanding on the key skills and competencies that they require to achieve their set strategies and through this they are able to implement the strategies more effectively.

Lutempo (2022) analyzed the essence of strategic innovation on sustainable performance, and established that innovation is the backbone of most modern businesses, whereby they ought to be creative and anticipating on new ideas for them to remain competitive. The study also showed that aligning the innovations with the firm's strategy is instrumental in ensuring that the innovations go hand in hand with the strategy for them to remain valid. Ng and Sears (2020) supported this by articulating that strategic innovation is a significant aspect that drives sustainable results by keeping a spirit of change in products, ideas and processes just like the external market keeps on changing. Further, Ali and Nasir (2023) alluded that banking institutions ought to be efficient for them to be competitive, and this can be achieved through continuous innovation and enhancement of service delivery processes.

A paper by Zaoui *et al.* (2021) evaluated how strategic innovation as an aspect of strategic leadership contributed to competitiveness in medium-sized institutions. The results revealed that innovation was a major determinant of how well firms drove their internal processes and operations based on the changing nature of the operating market. Through continuous innovation that was streamlined towards the strategy, firms are able to keep up with the changing needs of customers, the changes in regulations, and the ever-improving competitors. This is supported by Akdere and Egan (2020) who recognized the immense role played by innovation in building a unique and market-oriented brand, thus intensively fostering competitiveness and competitive advantage.

A paper by Areri *et al.* (2020) examined how strategic innovation drives performance of higher learning institutions in Kenya. The results were evident that innovation was fundamental in modern institutions in that it strengthened the institutions position in the market. The findings further portrayed that the ability of strategic leaders to implement key strategic innovations and ensure that these innovations were responding to the market gaps played an essential role in promoting the performance of public universities. According to Nduati (2020), strategically focusing on innovations that align with the goals of the company ensures that more differentiated, cost-efficient ways of doing things are implemented thus significantly enhancing firm performance.

Yoon and Suh (2021) analysed how strategic leadership determined competitiveness of banking organizations in China sought to evaluate the role played by strategic direction setting as one of the aspects of strategic leadership on enhancing organizational competitiveness. The results revealed that strategic direction setting was an essential strategic leadership trait that ensured continued and effective implementation of organizational strategy towards continued firm competitiveness. Zaoui *et al.* (2021) indicated that strategic direction setting is about implementing a strategic focus that puts the organization mission and vision on one pipeline with the strategy to ensure speedy and sustainable competitiveness.

Ojogiwa (2021) assessed the effect of strategic direction setting on the innovation capability of private sector entities in Nigeria. The findings revealed that strategic direction setting had a significant effect on the firm's ability to innovate and utilize such innovations to enhance performance. Kabetu and Iravo (2018) also support this by indicating that strategic leadership is about establishing a direction for organization and ensuring that the direction is followed by all the internal systems for better implementation of the strategy and enhanced performance.

Chikamai and Makhamara (2021) assessed correlation between strategic leadership and entity's competitiveness among Kenya's tea companies. Obtained results revealed that strategic direction as an aspect of strategic leadership had potentially influenced competitiveness. A study by Castellanos and George (2020) confirmed this by indicating that strategic direction setting is a prerequisite to an effectively implemented strategy since it ensures all the competencies of the firm are directed towards the strategy.

Thirumoorthi and Manjula (2020) did a study on the role of customer focus on sustainability of multination tech companies in Canada. The findings revealed that customer focus was integral ensuring firm sustainability by bringing products and services that met the customer needs. According to Thirumoorthi and Manjula (2020), customer focus through Customer Relationship Management (CRM) enables the strategic leaders to understand the customer needs and utilize such knowledge to come up with products and services that satisfy the needs. This in the long run ensures sustainable competitiveness of the companies. Bondarenko *et al.* (2020) support the results through an argument that customer needs guide the strategy thus strategic leaders will focus on customers in order to understand expectations and come up with a strategy that fulfills the needs.

In Zimbabwe, Manyanga, Makanyeza, and Muranda (2022) analysed how customer focus through customer experience, customer loyalty and customer satisfaction predicted organizational performance of commercial banks. The findings revealed that customer focus through customer experience, customer loyalty and customer satisfaction critical predicted performance. Manyanga *et al.* (2022) alluded that focusing on consumers shows that the entity is ready to strengthen their loyalty and satisfaction through increasing their experience by quality services. According to Hakizimana et al. (2023), commercial banks can strengthen their performance by focusing on customer-centered products such as digital banking through which they promote customer satisfaction and retention.

Nyanchama and Murigi (2019) did a study on how strategies aligned to customer focus drive performance of banking industry. The findings revealed that customer focus strategies were essential in ensuring continued customer retention and satisfaction for better performance. According to Wong (2021), customers are the main determinants of organizational performance, thus meeting their needs and expectations through segmentation, value creation and satisfaction is essential for enhanced performance.

RESEARCH METHODOLOGY

The study utilized a cross-sectional research design. As expounded by Spector (2019), a cross-sectional design enables simultaneous collection and analysis of data for both predicted and predicting variables. This design allows for collection and analysis of cross-sectional data, which is a type of data aimed at comparing two or more variables (Muathe, 2010). The design implies that the study was mainly quantitative, in that quantitative data was collected and analysed. The design was useful in testing causality between variables. The cross-sectional research design was therefore used in this study since it allowed collection of extensive data for more than one variable at the same time while enabling the researcher to analyze the relationship between two or more variables.

The study targeted third tier banks in Kenya. There are 22 of these banks. The employees from these banks were targeted. The management employees in the banks were targeted. According to CBK (2021), the commercial banks in Kenya have 10,396 senior and middle level management employees. Out of these, the 22 tier-three banks have 3,740 senior and middle level employees. The study however, specifically focused on the section heads and heads of departments at the banks' headquarters since they make most of the decisions in the banks. These are 154, and this were target population of the study.

The sampling frame was the 154 respondents drawn from key departments from the 22 selected commercial banks. The researcher used a stratified sampling technique to arrive at the sample size for the study. The researcher stratified the population into key department managers. These are the main decision makers in terms of strategic leadership and they are more knowledgeable on the extent to which the banks embrace strategic leadership practices.

To establish suitable sample size, a sampling formula by Yamane (1967) was used. The formula as postulated by Preacher and Hayes (2008) provides an adequate sample size for the study and it is appropriate for both small less than 500 participants and large population sizes of more than 10,000 participants. This justifies the choice of the formula in this study.

$$n = \frac{N}{1 + N * e^2}$$

Where:

n is the sample size

N is the target population (154)

e is the error margin (0.05)

$$n = \frac{154}{1 + 154 * 0.05^2}$$

n = 112

The study used stratified random sampling to pick the 112 respondents in the 22 tier three commercial banks in Kenya. The departments were the strata. A stratified random sampling technique was preferred in this study since it gives every individual in population an equal chance to be selected while ensuring that all the clusters in a population are adequately represented.

The researcher adopted structured questionnaire to obtain primary data. Spector (2019)) affirm that the questionnaire is the most appropriate tool for data collection due to the busy nature of work of bank personnel. This is whereby questionnaire was physically delivered to the respondents' areas of work and collected at a given time when the respondents had confirmed to have filled the questionnaire.

The data was analysed using quantitative approach using SPSS. The researcher used descriptive and inferential statistics in data analysis. Descriptive statistics included mean, standard deviation, frequencies and percentages.

Inferential analysis through a regression model were used to establish the effect of strategic leadership on competitiveness of third tier banks in Kenya. The model was as shown:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

Where:

Y = Competitiveness of Tier Three Commercial Banks in Kenya

X_1 = Financial Resource Mobilization

X_2 = Human Resource Development

X_3 = Strategic Innovation

X_4 = Strategic Direction

X_5 = Customer Focus

ε = an error term

α = constant term

β_1, β_2, β_3, β_4, and β_5 are beta coefficients.

RESULT AND DISCUSSION

A response rate is success level of an instrument in obtaining complete responses from participants. Instrument was administered to 112 participants, where 94 successfully filled them. This was 83.9% response, which was adequate for the study.

Correlation was sought between independent variables (Financial Resource Mobilization, Human Resource Development, Strategic Innovation, Strategic Direction, and Customer Focus) and the dependent variable (competitiveness of the banks). The findings are as shown in Table 1.

Table 1: Correlation Analysis Results

		Competitiveness o Tier Three Commercial Bank	Financial Resource Mobilization	Human Resource Development	Strategic Innovation	Strategic Direction	Customer Focus
Competitiveness of Tier Three Commercial Banks	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	94					
Financial Resource Mobilization	Pearson Correlation	.739	1				
	Sig. (2-tailed)	.000					
	N	94	94				
Human Resource Development	Pearson Correlation	.701	.470	1			
	Sig. (2-tailed)	.000	.000				
	N	94	94	94			
Strategic Innovation	Pearson Correlation	.641	.490	.468	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	94	94	94	94		
Strategic Direction	Pearson Correlation	.688	.563	.557	.334	1	
	Sig. (2-tailed)	.000	.000	.000	.001		
	N	94	94	94	94	94	94
Customer Focus	Pearson Correlation	.770	.563	.524	.473	.478	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	94	94	94	94	94	94

**. Correlation is significant at the 0.01 level (2-tailed).

As the results portray, the Pearson Correlation (R) between financial resource mobilization and competitiveness of tier three commercial banks was 0.739 at a P-value of 0.000<0.01 implying that financial resource mobilization has a strong correlation of 73.9% with the competitiveness of tier three commercial banks in Kenya. The Pearson correlation coefficient for the human resource development was 0.701 at a significant level of 0.000<0.01. This implies that human resource development has a strong (70.1%) and significant correlation with the competitiveness of tier three commercial banks in Kenya. Strategic innovation had a Pearson correlation (R) of 0.641 implying that there is a 64.1% correlation between strategic innovation and competitiveness of tier three commercial banks. Moreover, Strategic direction had Pearson correlation coefficient (R) of 0.688 while customer focus had a R of 0.770 implying that strategic innovation and customer focus had a strong correlation with competitiveness of tier three commercial banks in Kenya.

The multiple regression model sought to establish the effect of strategic leadership practices on the competitiveness of tier three commercial banks in Kenya. The findings as shown in Table 2 revealed that the R-Square (R^2) for the model was 0.850, an indication that 85.0% variation in competitiveness of tier three commercial banks in Kenya is as a result of combined effect of the strategic leadership practices considered in this study (Financial Resource Mobilization, Human Resource Development, Strategic Innovation, Strategic Direction, and Customer Focus). ANOVA results showed a F-value 99.611 (P=0.000<0.05). The model was therefore concluded to be viable to attest strategic leadership practices and competitiveness of tier three commercial banks in Kenya.

The regression coefficients revealed that when combined, the strategic leadership practices (financial resource mobilization, human resource development, strategic innovation, strategic direction, and customer focus) significantly influence the competitiveness of tier three commercial banks in Kenya. From the results, the following model was obtained:

$$Y = \alpha + 0.219X_1 + 0.258X_2 + 0.217X_3 + 0.338X_4 + 0.316X_5 + \mathcal{E}$$

From the model shown above, strategic direction was found to have the most significant impact on third tier banks' competitiveness ($\beta = 0.337$). This was followed by customer focus ($\beta = 0.316$); human resource development ($\beta = 0.258$); financial resources mobilization ($\beta = 0.219$); and lastly, strategic innovation ($\beta = 0.217$). With P-values within the 955 confidence level (P<0.05), it was evident that strategic leadership practices had a significant role to played in predicting competitiveness of Kenya's third tier banks. The results concur with those of Enwereji and Potgieter (2022) that revealed the connection between strategic leadership aspects and organizational success.

Table 2: Multiple Regression Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.922[a]	.850	.841	.31222

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	48.550	5	9.710	99.611	.000[b]
	Residual	8.578	88	.097		
	Total	57.128	93			

Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.205	.242		4.980	.000
	Financial Resource Mobilization	.219	.052	.238	4.187	.000
	Human Resource Development	.258	.071	.200	3.635	.000
	Strategic Innovation	.217	.055	.202	3.974	.000
	Strategic Direction	.337	.086	.215	3.915	.000
	Customer Focus	.316	.052	.332	6.057	.000

a. Dependent Variable: Competitiveness of Tier Three Commercial Banks

Source: Survey Data (2023)

As evidenced by the regression coefficient of 0.219, it is evident that financial resources mobilization had a notable role to play in steering competitiveness of the banks. This is also backed by the P-value of 0.000, which is below the 0.05 threshold. Drawing from the results by Lutempo (2022), it is imperative to not the financial resources have a central role to play in determining the success of organizations. These resources enhance the ability of a firm to divest and strengthen its position in the market, thus justifying the observation that mobilizing financial resources significantly predicted the competitiveness of third tier banks in Kenya.

The beta coefficient under human resource development was 0.258, which signifies that a marginal change in HR development would strengthen competitiveness by 25.8%. As indicated by the P-value of 0.000 which is within the 95% confidence level, it is imperative to note that human resource development significantly influence competitiveness of the banks. This is in conjunction with the assertions by Walden et al. (2020) that human resource development strengthens the ability of the workforce to streamline organizational operations and be more strategically aligned o the organizational goals, thus leading to more competitive firms. Similarly, Akdere and Egan (2020) indicated that the employee skills ought to be developed for them to bring substantial change to competitiveness. This therefore justifies the assertion that human resource development has a significant effect on competitiveness of tier three banks in Kenya..

The coefficient on strategic innovation was 0.217, a clear indication that a marginal change in strategic innovation would see transformation of competitiveness of the banks by 21.7%. The level of significance for the variable was 0.000<0.05, an indication that strategic innovation significantly determined competitiveness of third tier banks in Kenya. This compares with the assertions by Asawo *et al.* (2021) that institutions where their leaders have the potential to be more innovative have a high likelihood of being competitive than where innovation is not upheld. Further, Likoko et al. (2022) upheld that strategic innovation is an instrumental enabler of competitive firms by its ability to strengthen firm's uniqueness in the market and ability to meet customer needs.

Strategic direction had a Beta coefficient (β) of 0.337, which is a revelation that a marginal change in strategic direction would see competitiveness of third tier banks in Kenya increase by 33.7%. The level of significance also showed that competitiveness of the banks was significantly predicted by strategic direction. The findings concur with those by Waribu (2019) who established that strategic direction setting has a significant influence on firm competitiveness. A study by Odhiambo (2020) revealed that when strategic leaders set the right strategic direction for the organization through aligned vision and mission, they strongly and positively influence organization's continued competitive advantage.

The model analysis results revealed that the regression coefficient (β) for customer focus was 0.316 at a significant level of 0.000<0.05. This is an indication that a unit change in customer focus would influence the competitiveness of tier three commercial banks by 31.6%. Moreover, the P-value implies that customer focus significantly influences the competitiveness of tier three commercial banks. Drawing from Bondarenko et al. (2020), it is evident that customers are the central nervous system for every organization, thus focusing on them would bring substantial effect on growth and competitiveness. As Naitore and Wanyoike (2019) allude, it is imperative for any leader who seeks to have a competitive firm to focus on customers as they determine the success of the organization through their preferences and buying power. This is an implication that indeed, customer focus significantly determines how competitive the banks become.

CONCLUSION AND POLICY IMPLICATION

The study concluded that through strategic leadership, the banks stood a better chance to outdo their competitors by meeting the needs of their customers. It was deduced that the inability by the management of tier three commercial banks to strongly mobilize financial resources through a proper budget, enhance accountability of the available finances and streamline financial reporting are among the drawbacks of the banks' competitiveness. Human resource development as one of the strategic leadership practices play an integral role in determining the competitiveness of third tier banks in Kenya. As a result of the leadership in most of the 9tier three commercial banks in Kenya failing to incorporate and uphold staff training, reward and motivation and employee engagement, the chances of a poorly performance and unmotivated workforce increases and this leads to a decline in competitiveness of the banks. From the regression analysis, strategic direction had the strongest influence on competitiveness of the third-tier banks. This is an implication that continuous setting of strategic direction by strategic leaders would be instrumental in enhancing competitiveness of the banks.

The study further concluded that strategic innovation was a fundamental strategic leadership practice that significantly determined the competitiveness of tier three commercial banks in Kenya. It is deduced that as a result of failure to embrace strategic innovation, the banks rarely introduce new products or services, neither do they develop new advanced processes that promote efficiency, thus failing to be competitive in a highly volatile and competitive market. The study further concluded that most of tier three commercial banks in Kenya were slow in embracing strategic direction through having a results-oriented leadership, leadership by example and focus on mission and vision. This saw most of the banks fail to be competitive as they lack a proper direction that is focused on taking advantage of the available opportunities and strongly integrate strategy for competitiveness. The study concluded that while customer focus was an essential strategic leadership practice that determined the competitiveness of tier three commercial banks in Kenya, most of these banks did not effectively embrace customer focus. This deprived the banks of differentiated service delivery and a customer-centred operational framework, thus failing to compete adequately with their rivals.

The study recommends that there is need for the board of management in the tier three commercial banks in Kenya to integrate financial resource mobilization as one of the determinants of the banks' competitiveness. The financial managers should also be at the forefront of advising the board on effective and holistic financial resources mobilization initiatives such as budgeting process where ensuring that the utilization of the available funds is accountable for seamless internal processes of the banks.

Secondly, the tier three commercial banks through the human resource managers have a duty to focus on key metrics to develop a more resilient, focused and committed workforce that is capable of driving the strategies of the banks successfully. The board of management should also not entirely delegate human resource functions but ensure that key measures such as motivation, training and development as well as employee engagement are upheld to have a more productive workforce.

Thirdly, the study recommends that the operational managers in conjunction with the employees in the tier three commercial banks ought to integrate and uphold strategic innovation so as to strengthen the banks' continued competitiveness. While innovation could be practices, it ought to be strategic such that the products, processes, technologies and markets introduced are in line with the strategic focus of the bank so as to streamline the banks continued competitiveness. The employees should be encouraged to be more innovative as a way of ensuring the banks are proactive in coming with new products, services and processes.

The study further recommends that the board of management as the top-leadership in the tier three commercial banks has the duty to show the strategic direction to the rest of the team. It is the management that is the custodian of the organization's strategy, in that they are the bearers of the mission and vision of the bank. This however can be integrated with the banks' strategy through communicating and showing the direction to the rest of the team.

Lastly, the study recommends the need for the operations managers and customer services sections in the tier three commercial banks to be more focused on customer needs, as the customers are the paramount determinants of business success. The top leadership led by the board of management should be the true ambassadors of their banks by upholding good customer empathy. This should begin from treating the employees well, since they are internal customers and representatives of the company's image to the public. Upholding after-sale services and enhancing customer engagement would be essential aspects to focus on for enhanced customer satisfaction.

Limitations and Future Research Direction

The paper was limited to third tier banks in Kenya. There are 22 of these banks. The banking industry is a regulated one, and with more regulations as compared to other sectors. Data for this paper was obtained from sampled participants from these banks. It is therefore an implication that generalization of results from this paper may not apply to every other sector. Sectors which are more autonomous and run almost similarly to banks can generalize the study results.

Secondly, the study was limited to five key strategic leadership practices. They included: financial resources mobilization, human resource development, strategic innovation, strategic direction setting and customer focus. It is an indication that smaller aspects of strategic leadership may not feature in this paper's results.

The study was also limited to the stipulated methodology. It was restricted to descriptive approach where questionnaire was utilized to obtain data. Methodologies outside this approach were not considered in the research. This implies that there is a possibility that when a similar study utilizes a different approach, the findings could differ.

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